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C O N F I D E N T I A L ANKARA 001430

SIPDIS

EUR/SE MALIK, EUR/ERA MCCONAHA, E WOOSTER, EEB/ESC COULTER
AND WRIGHT, NEA/IR GROEN, SCA/CEN SNELSIRE

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TAGS: [ECON](#) [ENRG](#) [EPET](#) [ETTC](#) [AJ](#) [IR](#) [TU](#)

SUBJECT: TURKISH REACTION TO DEMARCHE DISCOURAGING AN
IRAN-TURKEY NATURAL GAS AGREEMENT

REF: SECSTATE 85099

Classified By: ECONOMIC COUNSELOR DALE EPPLER FOR REASONS 1.4 B AND D.

¶1. (C) Summary: Ambassador raised US concerns per reftel with Turkish MFA U/S Apakan on August 8. Apakan said the US message was clearly understood and that there would be "nothing new, tangible or solid" on energy signed with Iran anytime soon. MFA Energy Office Director Altay said August 11 that the GOT had discussed energy issues with Iranian officials last week, but that no agreement had been reached on any point. If an energy agreement is reached during the Ahmedinejad visit, pipelines will not be the subject,⁸ but Altay declined to say what subjects were possible. Turkey understands US "sensitivities" and its international obligations, but has to talk with Iran, its neighbor and energy supplier. Turkey needs gas, and Iran has gas to meet Turkish needs. Absent other supply, Turkey cannot take Iranian gas off the table. On BTC, Altay said the fire at the explosion site burned out on August 11, and that an investigation will get underway once the site cools. He said Russian actions in Georgia called into question the ability of Azerbaijan to export oil and gas to Western markets and strengthened the case for diversification of sources, including Iran. End summary.

¶2. (C) Ambassador Wilson raised US concerns per reftel with Turkish MFA U/S Apakan on August 8, highlighting that a demarche under instructions from Washington instructions was also being delivered to MFA staff to state our concerns in detail. Apakan said he would study the demarche. He indicated that the US message he heard from U/S Burns and the Ambassador was clearly understood. He said that there will be "nothing new, tangible or solid" in the Turkish-Iranian energy field anytime soon and certainly no contractual commitments.

¶3. (C) In a follow-up meeting with MFA Energy Office Director Vural Altay on August 11, we presented the reftel demarche in detail and inquired about the progress of talks with Iranian officials in advance of the visit of Iranian President Ahmedinejad on August 14-15. Altay said that an Iranian delegation was in Ankara last week and that energy was among the issues discussed, but said that no agreement had been reached on any point. He noted that the Iranians were "difficult negotiators," and said he was not expecting any major advances anytime soon.

¶4. (C) We raised detailed press reports of potential agreements on pipeline projects. Altay said that if any agreement is reached during the Ahmedinejad visit "I assure you that pipelines will not be among the subjects." He

declined to say if this meant that pipeline projects were not even being discussed, only that there won't be any MOU signed that deals with pipelines this week. (Comment: Energy Ministry contacts told us last week that the detailed press reports about a pipeline for Turkmen gas across Iran, and a pipeline to transport South Pars gas to Europe across Turkey, reflected proposals that had been discussed at a "technical level" between Turkish state oil company TPAO and Iran, but that those discussions was nowhere near ready to be turned into an agreement. End comment.) Altay also declined to say if electricity was a potential subject for an energy MOU that might be signed. He noted only that despite the agreement for Iran to supply electricity to Turkey reached earlier this year, no progress had been made towards actually providing electricity.

¶5. (C) Turning to the substance of our demarche, Altay said that Turkey well understands USG "sensitivities" about Iran and the provisions of the Iran Sanctions Act. They also understand their international obligations and sanctions against Iran, and were proceeding to talk with the Iranians with those limits in mind. However, they must talk to an Iran that is their neighbor, trading partner and gas supplier. Also, "it is a fact that Turkey needs gas and that Iran has gas to meet our needs. If someone were to give us supply from another country, we would not need to talk with Iran." They are looking years down the road, and are not in a position to take Iranian gas off the table.

¶6. (C) We had a short discussion of the status of the BTC pipeline. Altay said that the fire at the explosion site in Erzincan finally burned out on August 11. Once the site cools down, an investigation would begin on its causes. He

said that there had been an electronic warning at that point five minutes before the explosion that shut down the pipeline, and this indicated a technical cause of the blast, despite PKK claims to have bombed the site. He said the BTC pipeline should be back in operation in a few weeks, unless events in Georgia caused new problems. Altay had not seen press reports of Russian military forces targeting the BTC pipeline. He said any deliberate attack on the BTC should be seen as an attack on the economic interests of the BTC partners, including Turkey and the United States. He said the Russians seemed intent on regime change in Georgia, and that this called into question the ability of Azerbaijan to export its oil and gas anywhere except north to Russia. "This really makes the case for diversification of sources," he said, including Iran.

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